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Home Sales Down and Prices Up Through Third Quarter

MADISON, Wis. — Wisconsin home sales fell sharply in September after a solid improvement in the previous month, whereas the annual rate of decline on a year-to-date basis was more modest, according to an analysis of the existing home market by the Wisconsin REALTORS® Association. Specifically, existing home sales dropped 12 percent in September 2018 relative to September 2017, but they only fell 2.7 percent for the first nine months of 2018 compared to that same period last year. The ongoing tightness in home inventories continues to put upward pressure on home prices. Median prices rose 6.9 percent between September 2017 and September 2018 to \$185,000. The pace of increase was also 6.9 percent for the first nine months of 2018 relative to the January through September period of 2017.

“While September sales were down, this may have been an aberration following a strong August,” said Jean Stefaniak, the new WRA board chairman. August home sales grew 5.5 percent whereas September sales dropped 12 percent. This puts the combined August and September sales just 2.7 percent lower than those two months in 2017, which is the same as the year-to-date pace this year. “Inventory weakness has been the story all year long, and it continues to hold back statewide sales with no indication of improvement in the near term,” said Stefaniak. The state averaged just 4.9 months of inventory in September, down from 5.5 months this time last year. Unfortunately, new listings of single-family homes fell slightly below their levels of last September, dropping 1.9 percent over the past year. “REALTORS® are doing a good job moving the available supply, doing more with less,” she said. Average days on the market dropped 16.4 percent to 92 days in September. A review of the last 12 months of sales suggested that inventories are very tight for the lower ranges of the price distribution. For homes selling below \$350,000, the market advantage goes to sellers, with inventory levels well below the six-month benchmark. Six months of supply signifies a balanced market. In contrast, the market above that price point would be classified as a buyers’ market. Indeed, for homes selling above \$500,000, there is 12.5 months of supply, and those homes take longer to sell, averaging 165 days on the market.

“The strong appreciation in prices has been consistent throughout the year,” said WRA President & CEO Michael Theo. “It’s a predictable outcome given very strong demand for housing combined with limited supply in the state,” he said. The seasonally adjusted statewide unemployment rate has ranged between 2.8 percent and 3.1 percent throughout 2018, which has created strong demand for housing in the state. Even with this very low unemployment rate, the state added just over 30,000 nonfarm jobs between January and August, including 14,300 manufacturing jobs and 2,800 jobs in the construction sector. This has led to annualized growth in median prices ranging between 4.4 percent and 8.1 percent throughout 2018. Although Wisconsin housing remains affordable by national standards, affordability has been slipping as mortgage rates have inched upward. Wisconsin’s Housing Affordability Index fell 9.7 percent over the past 12 months. “The Fed just recently announced another rate increase, which has pushed mortgage rates up by over three quarters of a percent since September 2017, and more rate hikes are expected,” said Theo. “Working with a REALTOR® who is experienced is still the best way to successfully buy a home in this very strong market,” he said.

The Wisconsin REALTORS® Association is one of the largest trade associations in the state, representing over 15,700 real estate brokers, sales people and affiliates statewide. All county figures on sales volume and median prices are compiled by the Wisconsin REALTORS® Association and are not seasonally adjusted. Median prices are only computed if the county recorded at least 10 home sales in the quarter. All data collected by Wisconsin REALTORS® Association are subject to revision if more complete data become available. Beginning in June 2018, all historical sales volume and median price data from 2015 forward at the county level have been re-benchmarked using the Relitix system which accesses MLS data directly and in real time. Data prior to January 2015 are derived from the Techmark system which also accessed MLS data directly. The Wisconsin Housing Affordability Index is updated monthly with the most recent data on median housing prices, mortgage rates, and estimated median family income data for Wisconsin. Data on state foreclosure activity is compiled by Dr. Russ Kashian at the University of Wisconsin – Whitewater.